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SIPDIS

SENSITIVE

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E.O. 12958: N/A

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SUBJECT: SPAIN: DEFMIN AND HIS DEPUTY ON S-80 SUBS WEAPONS  
PACKAGE COMPETITION

11. (SBU) SUMMARY Ambassador Argyros phoned Spanish Defense Minister Jose Bono July 16 to reinforce USG concern that the bidding process for the Spanish S-80 submarine weapons package, in which two U.S. companies are involved, remained open and transparent. Ambassador noted to Bono that the bidding deadline had closed during the previous Spanish government, but that it now appeared that the process was changing to allow French and German firms to compete. Bono claimed the process remained open and transparent and expressed his confidence in the U.S. companies involved, but noted he had also received calls from the French and German Foreign Ministers. Bono suggested DCM meet with Deputy Defense Minister Pardo to further discuss the bidding process; Charge met with Pardo July 27 and received a message similar to Bono's to the Ambassador. Pardo said no final decision would be made until at least the fall of 2004. END SUMMARY

Ambassador's call to Defense Minister

12. (SBU) Ambassador phoned Defense Minister Bono Friday July 16 regarding the S-80 warfare system for the Spanish S-80 Submarine project. Ambassador urged Bono and the GOS to strongly consider the American companies as potential vendors (both Lockheed Martin and Raytheon are bidding for the contract). The Ambassador noted that he understood that the Minister was reviewing all contracts that were left without being executed by the previous administration. The Ambassador noted that it was understandable the new government would wish to understand any contracts it would have to sign. However, the Ambassador stressed he hoped the review process would be open and transparent and that there would be a level playing field. The Ambassador raised the issue of allowing French or other companies to re-enter the bidding process as a concern because as he understood it the bidding process had already been closed and allowing new entries did not seem to be in the spirit of an open and transparent process.

13. (SBU) Bono responded that he understood the Ambassador's concern about the U.S. companies and wanted the Ambassador to know that he felt the two that were bidding were good companies and that they were highly regarded by the GOS and the Spanish Navy. Bono however added that he had had a similar conversation with the French and German Foreign Ministers. Bono told the Ambassador that while the GOS may review the previous proposals submitted by the French neither the French nor the Germans will have favorable treatment at the review.

14. (SBU) Bono volunteered that he would instruct his Deputy Defense Minister (MOD State Secretary) to call the Embassy and provide the details of how the review process will be conducted and when it will be decided. Bono re-emphasized he understood why the Ambassador made the call.

Charge's discussion with Deputy Defense Minister

15. (SBU) As follow-up, Charge met with MOD State Secretary Pardo July 26 to review the issue, as Bono had promised. Pardo claimed the U.S. should be "absolutely unworried" by the process. There is absolutely no anti-American bias in the effort, nor is there a tendency to favor European companies, Pardo claimed. The GOS would decide on the basis of two criteria: which system the armed forces considered the best technologically and which decision would best advance Spain's defense industry and its cooperative efforts.

In all of this, Pardo repeated, there is "nothing hidden" nothing "occult." Charge emphasized the benefits for U.S.-Spain relations and for U.S.-Spanish defense ties if the Spanish defense firm Izar was able to do business with a U.S. firm on S-80 project. Pardo responded that defense cooperation issues would be "fundamental" to the decision-making process on this contract.

16. (SBU) Pardo noted that he himself had decided not to meet with any of the companies involved (he had turned down a meeting with Lockheed Martin reps last week), in order to maintain the integrity of the process. He said that given the highly-charged atmosphere with companies vying for a

lucrative contract, it was natural that "rumors" would arise about the process. Charge noted the U.S. concern that the technological specifications of the bid had changed in order to allow French and German companies to participate. Pardo said there was no formal change in the technological specifications, but that the MOD had been or might be in touch with some of the companies involved to clarify questions or issues.

17. (SBU) Pardo stressed the importance to the MOD of maintaining strong ties with the U.S., both on a personal and political level. He said Spain wanted to maintain a cooperative and friendly relationship with the U.S., and noted the two companies involved in the S-80 contract were well-regarded.

18. (SBU) Pardo told Charge that no decision would be made until after Spain's traditional August summer break (e.g. at the earliest in the fall).  
MANZANARES